



Los Angeles County
Department of Regional Planning

Planning for the Challenges Ahead



Bruce W. McClendon FAICP
Director of Planning

July 14, 2008

Hasan Ikhata, Executive Director
Southern California Association of Governments
818 W. Seventh Street, 12th Floor
Los Angeles, CA 90017

Dear Mr. Ikhata:

**COUNTY OF LOS ANGELES PROPOSED METHODOLOGY FOR
CALCULATING RHNA ALLOCATION TRANSFERS TO ANNEXING CITIES**

With the recent update to the County of Los Angeles' Annexation and Spheres of Influence Policy and amendments to the Housing Element Law, the County of Los Angeles is faced with the challenge of disaggregating the County's Regional Housing Needs Assessment (RHNA) allocation to cities upon annexation of unincorporated territory. The purpose of this letter is to (1) provide you with an overview of the methodology that the County has developed to respond to the recent changes in the Housing Element Law and the County's Annexation and Spheres of Influence Policy; and (2) request your written approval of the County's proposed methodology for disaggregating the County's RHNA allocation.

The County's Proposed Methodology

The County's proposed methodology calculates the increment of growth for an annexed area, using 2005 and 2014 Census Tract-level household projection data received from SCAG, and adjusts the data proportionately to the area of the land or Census Tract, as needed; applies a vacancy rate of 3.5% and a subregional replacement factor to calculate the number of housing units; and apportions the number of housing units by income level. (See Attachment 1 for more details). We believe that this methodology is fair and transparent, and one that most closely mirrors SCAG's RHNA methodology.

Input from SCAG

On May 29, 2008, staff from the Los Angeles County Department of Regional Planning met with SCAG staff (Joe Carreras, Simon Choi, Ma'Ayn Johnson, Frank Wen and Ying

Zhou) to discuss the County's draft methodology for disaggregating the RHNA allocation as part of the annexation process. In addition to helping to refine the County's methodology, the staff made suggestions on alternative approaches to the methodology. Two of the alternatives are discussed below:

Alternative 1: This alternative approach overlays additional information to Census Tract-level household data, such as existing land use information from the Assessor or Census Block Group-level data. As indicated at the meeting, the County is open to using this approach, but would prefer to use the same land use data used by SCAG to inform the Integrated Growth Forecast. Using this methodology would be difficult for the County since this data is currently unavailable to the County staff. Furthermore, the use of this approach would require SCAG to access the data and assess and modify each of the County's RHNA calculations for proposed annexations, which may cause significant delays in annexation negotiations and impact the LAFCO process.

Alternative 2: This alternative approach bases the County's methodology on factors, such as anticipated developments or land use policies applicable to the annexed area. However, as SCAG's RHNA methodology is based on household growth projections, and not on land use policies, and since the RHNA is not adjusted to account for unanticipated developments or changes to the area, the County's preferred approach is to calculate the disaggregated allocations based on household growth projections.

SCAG's Statutory Role

Based on SCAG's statutory role in facilitating the RHNA allocation transfers to annexing cities, we believe that it is important to receive approval from SCAG on the County's proposed methodology. Furthermore, we want to ensure that the process is fair, reasonable and equitable to all annexing cities. According to the State Housing Element Law, SCAG's statutory responsibilities in the transfer of RHNA units as part of the annexation process are as follows (Attachment 2 – AB 242 Blakeslee):

- If the County and city involved in the annexation mutually agree on the number of units to be transferred to the annexing city, they shall submit the transfer, by income category, to SCAG within 90 days of the date of the annexation;
- If the County and city involved in the annexation fail to mutually agree on the number of units to be transferred to the annexing city, a written request may be submitted to SCAG. SCAG will consider the methods used by both jurisdictions and determine the number of units, by income category, which shall be transferred. This determination shall be based on the methodology adopted pursuant to Government Code § 65584.08 and must be made within 180 days of the written request; and
- SCAG shall submit a copy of the final transfer, whether determined by the County and city or by SCAG, to the State Department of Housing and Community Development.

Justification of County's Methodology

The methodology developed by the County to disaggregate the RHNA allocation for the unincorporated areas as part of the annexation process is the most accurate and fair approach to overcoming the challenges posed by the recent changes to the County's annexation policies and the Housing Element Law. Furthermore, the application of one methodology, as opposed to evaluating annexations on a case-by-case basis, will provide consistency and transparency for RHNA allocation transfers from the County to annexing cities.

The County currently has several pending annexation applications for which RHNA allocation transfers to annexing cities need to be calculated. In an effort to move forward with the negotiations for these annexations, the County would like SCAG to provide either a written approval of the attached methodology or an alternative methodology or preferred protocol by Thursday, July 24, 2008.

If you have any questions, or if you would like to set up another meeting, please contact Connie Chung of the Housing Section at (213) 974-6425 or cchung@planning.lacounty.gov.

We look forward to your input.

Sincerely,

DEPARTMENT OF REGIONAL PLANNING



Bruce W. McClendon, FAICP
Director of Planning

BWM:RH:CC:AR

Attachments:

Outline of methodology for calculating RHNA allocation transfers
AB 242 (Blakeslee, 2008)
County of Los Angeles Annexation and Spheres of Influence Policy

cc: Dorothea Park, Los Angeles County Chief Executive Office
Marge Santos, Los Angeles County Chief Executive Office

Methodology for Calculating RHNA Allocation Transfers

The County will use the following methodology to calculate RHNA transfers for annexations:

1. Determine area (in acres) of the annexed portion; and the 2000 Census Tract(s) located in the annexed portion;
2. Use 2005 and 2014 Census Tract-level household data¹ to calculate the increment of growth, and apportion based on the percentage of the unincorporated area within the Census Tract being annexed, if needed;
3. Apply a vacancy unit estimate of 3.5%;
4. Apply the replacement unit estimate. The subregional replacement rates for the unincorporated areas are as follows²:

Subregion	Replacement Rate
North Los Angeles County	0.35%
City of Los Angeles	2.80%
Arroyo Verdugo Cities	4.73%
San Gabriel Valley COG	1.68%
Westside Cities COG	3.13%
South Bay Cities COG	5.79%
Gateway Cities COG	3.20%
Las Virgenes Malibu COG	1.23%

5. Apportion the total RHNA allocation transfer to the appropriate income level based on the County's percentage breakdown. The County's income breakdown is as follows:

Income Level	% of RHNA
Very Low	25.2%
Low	15.9%
Moderate	17.2%
Above Moderate	41.7%

¹ This data, dated November 11, 2006, was provided by SCAG.

² These rates were calculated using the data provided in the Community, Economic, and Human Development Committee (CEHD) memo on the RHNA methodology, dated November 2, 2006.

Assembly Bill No. 242

CHAPTER 11

An act to amend Section 65584.07 of the Government Code, relating to land use.

[Approved by Governor April 29, 2008. Filed with
Secretary of State April 29, 2008.]

LEGISLATIVE COUNSEL'S DIGEST

AB 242, Blakeslee. Land use: annexation: housing.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 authorizes local governments to annex portions of territory to other local governments, as specified.

The Planning and Zoning Law requires local governments to adopt comprehensive general plans that address a number of elements, including the housing element. The Department of Housing and Community Development is required to assist local governments in the allocation of the regional housing needs. Existing law also authorizes a city or county to transfer a percentage of its share of the regional housing needs to another city or county, as specified.

Existing law requires each city, county, and city and county to revise its housing element on specified dates, in accordance with a specified schedule, and not less often than once every 5th year after that revision.

Existing law requires, during the period between adoption of a final regional housing needs allocation until the due date of the housing element update, that the council of governments, or the department, whichever assigned the county's share, reduce the share of regional housing needs of a county if certain conditions are met. If an annexation of unincorporated land to a city occurs after the council of governments, or the department for areas with no council of governments, has made its final allocation under these provisions, the city and county are authorized to reach a mutually acceptable agreement on a revised determination of regional housing needs, to reallocate a portion of the affected county's share of regional housing needs to the annexing city, and report the revision to the council of governments and the department, or to the department for areas with no council of governments.

This bill would revise provisions governing the process for making the transfer of the county's regional housing needs allocation to the city.

The people of the State of California do enact as follows:

SECTION 1. Section 65584.07 of the Government Code is amended to read:

65584.07. (a) During the period between adoption of a final regional housing needs allocation and the due date of the housing element update under Section 65588, the council of governments, or the department, whichever assigned the county's share, shall reduce the share of regional housing needs of a county if all of the following conditions are met:

(1) One or more cities within the county agree to increase its share or their shares in an amount equivalent to the reduction.

(2) The transfer of shares shall only occur between a county and cities within that county.

(3) The county's share of low-income and very low income housing shall be reduced only in proportion to the amount by which the county's share of moderate- and above moderate-income housing is reduced.

(4) The council of governments or the department, whichever assigned the county's share, shall approve the proposed reduction, if it determines that the conditions set forth in paragraphs (1), (2), and (3) above have been satisfied. The county and city or cities proposing the transfer shall submit an analysis of the factors and circumstances, with all supporting data, justifying the revision to the council of governments or the department. The council of governments shall submit a copy of its decision regarding the proposed reduction to the department.

(b) (1) The county and cities that have executed transfers of regional housing needs pursuant to subdivision (a) shall use the revised regional housing need allocation in their housing elements and shall adopt their housing elements by the deadlines set forth in Section 65588.

(2) A city that has received a transfer of a regional housing need pursuant to subdivision (c) shall adopt or amend its housing element within 30 months of the effective date of incorporation.

(3) A county or city that has received a transfer of regional housing need pursuant to subdivision (d) shall amend its housing element within 180 days of the effective date of the transfer.

(4) A county or city is responsible for identifying sites to accommodate its revised regional housing need by the deadlines set forth in paragraphs (1), (2), and (3).

(5) All materials and data used to justify any revision shall be made available upon request to any interested party within seven days upon payment of reasonable costs of reproduction unless the costs are waived due to economic hardship. A fee may be charged to interested parties for any additional costs caused by the amendments made to former subdivision (c) of Section 65584 that reduced from 45 to 7 days the time within which materials and data were required to be made available to interested parties.

(c) (1) If an incorporation of a new city occurs after the council of governments, subregional entity, or the department for areas with no council of governments, has made its final allocation under Section 65584.03,

65584.04, 65584.06, or 65584.08, a portion of the county's allocation shall be transferred to the new city. The city and county may reach a mutually acceptable agreement for transfer of a portion of the county's allocation to the city, which shall be accepted by the council of governments, subregional entity, or the department, whichever allocated the county's share. If the affected parties cannot reach a mutually acceptable agreement, then either party may submit a written request to the council of governments, subregional entity, or to the department for areas with no council of governments, to consider the facts, data, and methodology presented by both parties and determine the number of units, by income category, that should be transferred from the county's allocation to the new city.

(2) Within 90 days after the date of incorporation, either the transfer, by income category, agreed upon by the city and county, or a written request for a transfer, shall be submitted to the council of governments, subregional entity, or to the department, whichever allocated the county's share. A mutually acceptable transfer agreement shall be effective immediately upon receipt by the council of governments, the subregional entity, or the department. A copy of a written transfer request submitted to the council of governments shall be submitted to the department. The council of governments, subregional entity, or the department, whichever allocated the county's share, shall make the transfer effective within 180 days after receipt of the written request. If the council of governments allocated the county's share, the transfer shall be based on the methodology adopted pursuant to Section 65584.04 or 65584.08. If the subregional entity allocated the subregion's share, the transfer shall be based on the methodology adopted pursuant to Section 65584.03. If the department allocated the county's share, the transfer shall be based on the considerations specified in Section 65584.06. The transfer shall neither reduce the total regional housing needs nor change the regional housing needs allocated to other cities by the council of governments, subregional entity, or the department. A copy of the transfer finalized by the council of governments or subregional entity shall be submitted to the department. The council of governments, the subregional entity, or the department, as appropriate, may extend the 90-day deadline if it determines an extension is consistent with the objectives of this article.

(d) (1) If an annexation of unincorporated land to a city occurs after the council of governments, subregional entity, or the department for areas with no council of governments, has made its final allocation under Section 65584.03, 65584.04, 65584.06, or 65584.08, a portion of the county's allocation may be transferred to the city. The city and county may reach a mutually acceptable agreement for transfer of a portion of the county's allocation to the city, which shall be accepted by the council of governments, subregional entity, or the department, whichever allocated the county's share. If the affected parties cannot reach a mutually acceptable agreement, then either party may submit a written request to the council of governments, subregional entity, or to the department for areas with no council of governments, to consider the facts, data, and methodology presented by

both parties and determine the number of units, by income category, that should be transferred from the county's allocation to the city.

(2) (A) Except as provided under subparagraph (B), within 90 days after the date of annexation, either the transfer, by income category, agreed upon by the city and county, or a written request for a transfer, shall be submitted to the council of governments, subregional entity, and to the department. A mutually acceptable transfer agreement shall be effective immediately upon receipt by the council of governments, the subregional entity, or the department. The council of governments, subregional entity, or the department for areas with no council of governments, shall make the transfer effective within 180 days after receipt of the written request. If the council of governments allocated the county's share, the transfer shall be based on the methodology adopted pursuant to Section 65584.04 or 65584.08. If the subregional entity allocated the subregion's share, the transfer shall be based on the methodology adopted pursuant to Section 65584.03. If the department allocated the county's share, the transfer shall be based on the considerations specified in Section 65584.06. The transfer shall neither reduce the total regional housing needs nor change the regional housing needs allocated to other cities by the council of governments, subregional entity, or the department for areas with no council of governments. A copy of the transfer finalized by the council of governments or subregional entity shall be submitted to the department. The council of governments, the subregional entity, or the department, as appropriate, may extend the 90-day deadline if it determines an extension is consistent with the objectives of this article.

(B) If the annexed land is subject to a development agreement authorized under subdivision (b) of Section 65865 that was entered into by a city and a landowner prior to January 1, 2008, the revised determination shall be based upon the number of units allowed by the development agreement.

(3) A transfer shall not be made when the council of governments or the department, as applicable, confirms that the annexed land was fully incorporated into the methodology used to allocate the city's share of the regional housing needs.



Los Angeles County **BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
3.095	City Annexations and Spheres of Influence	05/13/03

PURPOSE

Establish policies for the review and consideration of city annexation proposals and for the establishment and updating of city spheres of influence by the Local Agency Formation Commission, which determine where future annexations are likely to occur.

The County of Los Angeles supports the concept that urbanizing areas should have the option to attain municipal status through annexation, if so desired by area residents and not in conflict with County interests. Recognize that Los Angeles County is generally an urban county with a diverse population and a variety of communities, lifestyles and interests, and that unincorporated area residents may also chose to remain unincorporated under County government and not become part of a city.

In recognition of the population diversity and variation between unincorporated communities, the County will review and evaluate each city annexation proposal or sphere of influence amendment on a case-by-case basis and negotiate with each city in good faith as needed, under the guidance of this policy to determine its fiscal, social, geographic, environmental and/or operational impacts on the affected unincorporated community(s) and the County of Los Angeles. Furthermore, it is County policy to provide assistance to residents of unincorporated areas in determining their preferred government structure alternatives.

Finally, while many unincorporated communities reflect distinct, mature, and cohesive identities; other areas are characterized as "islands" created as a result of historical incorporations and annexations. Providing municipal services may involve sending County staff across neighboring cities to respond to community needs. Ensuring the most cost-effective and responsive services to these areas may involve exploring such vehicles as contracts with surrounding/neighbor cities or expanding County services via contract to address the needs of a larger area.

REFERENCE

Government Code Section 56000, et seq., Revenue and Taxation Code Section 99

POLICY

Background:

- A. There are three general categories of local government services:
1. Regional Services are services provided by the County at a standard level to all County residents and properties. Regional services include public health, welfare and social service programs, the criminal justice system, property assessment, tax collection, voter registration and many others.
 2. Basic Services are available countywide but are provided by cities, either directly or through contract, within their corporate boundaries, and by the County in unincorporated areas. Basic services include law enforcement, road maintenance, animal control, land use planning, zoning and building inspection and others. Although service levels may differ between jurisdictions, all cities and the County provide at least a basic level of these services.
 3. Extended Services may be either additional, non-basic types of services or a higher level of a basic service. Extended services are provided either by cities or special districts. The County generally does not provide extended services out of general tax revenue, but can administer dependent taxing districts (e.g., assessment and benefit districts) to support extended services.
- B. Traditionally, cities have been incorporated, or their boundaries expanded, to encompass additional areas because residents and/or property owners have desired improved, extended services.
- C. Pursuant to State Revenue and Taxation Code Section 99, the County Board of Supervisors is responsible for negotiating property tax exchange resolutions with any city proposing to annex unincorporated territory. The County may also enter into a master property tax exchange agreement with other local agencies within the County to provide for a formula for determining property tax exchanges.
- D. Heretofore, the Los Angeles County Board of Supervisors has not adopted a formal policy regarding city annexations. Nor has the Board adopted a master property tax exchange formula. However, an informal formula negotiated by the Chief Executive Office and the Los Angeles League of Cities has been historically used.

Policies:

A. General Policies

1. The County encourages development of unincorporated areas in a manner that permits their assimilation into adjacent cities, should area residents desire annexation.
2. The County supports revenue allocations that equitably reflect the County's regional responsibilities, as well as the responsibilities of the County, cities and special districts for basic and extended services.
3. In implementing this Policy, the County may encourage or discourage all or a part of specific annexations or spheres of influence proposals based upon the impact on an unincorporated community's sense of identity, revenue base, land use planning and pattern of development, and/or impact on County-initiated programs to improve services and infrastructure in the area, so as to avoid premature annexations that may prejudice more favorable long-term government structures.
4. The County Board of Supervisors supports the concept of providing positive options to residents of unincorporated communities who desire a higher level of service, but prefer to remain unincorporated. Such options may include the use of assessment districts, the County budget process, local revitalization programs, contracts with neighboring cities, special planning standards or other mechanisms, as needed, subject to Board approval, and in most cases, subject to the approval of the affected communities.
5. Based upon the above policies, the County Board of Supervisors has determined that it is in the best interest of the County's unincorporated communities to review annexation proposals on a case-by-case basis rather than to adopt master agreements or formulas relating to the allocation and/or exchange of revenues between the County and affected cities.

B. Annexation Policies

1. The County will oppose annexations that carve up or fragment an unincorporated community that has a strong sense of identity.
2. The County will oppose annexations of commercial or industrial areas that have a significant negative impact on the County's provision of services, unless the annexing city provides financial or other mitigation satisfactory to the County.

3. The County will seek to negotiate agreements with any city proposing to annex unincorporated territory to appropriately transfer Southern California Association of Governments (SCAG) Regional Housing Needs Assessment (RHNA) allocations from the unincorporated area to an annexing city. The County will oppose annexations with any city that does not accept the SCAG RHNA allocation associated with the land area to be annexed.
4. Annexations that include areas where the County has established revitalization efforts and/or has committed significant resources for the benefit of the unincorporated community will be reviewed to determine the impact on the County program(s) and may be opposed if the annexation will adversely impact the County program(s).
5. The County may oppose annexations that would result in patterns of development that conflict with the County's land use plans and policies and/or would negatively impact (as defined for each specific annexation) adjacent unincorporated areas.
6. The County will review annexation proposals to ensure that streets or other County local facilities that serve the annexing area are included so that the city assumes responsibility for maintaining these public facilities. When streets are the demarcation between jurisdictions, the City boundary should be to the centerline of the streets that form the boundary of their jurisdiction.
7. The cumulative impact of past city annexations on the County generally, and the affected unincorporated community specifically, will be considered by the Board of Supervisors.
8. The Board of Supervisors requests that any city initiating an annexation demonstrate support for the annexation by the affected landowners for uninhabited territory or registered voters for inhabited territory.

C. Unincorporated "Islands" Policies

1. The Board of Supervisors directs its staff to develop and maintain an inventory of unincorporated islands in urbanized areas that do not include residents or businesses, but consist of County roads, streets, flood channels or other public purpose lands and facilities. These island areas should be considered for annexation to adjacent cities.
2. The County will oppose annexations that involve only part of an unincorporated area island, if such an annexation would make it financially difficult for County departments to provide services to the remaining area. In addition, in order to create logical boundaries and improve service delivery

to certain unincorporated area islands, the County will work with residents, property owners and the community to explore appropriate island annexation strategies for these areas.

3. The County will periodically conduct "make-buy-sell-annex" assessments regarding the most cost-effective, responsive and community-desired manner in which municipal services are delivered to unincorporated "island" communities.
4. These assessments will examine whether services could be provided more effectively by neighboring cities via contracts with the County or if County services could be expanded to other surrounding communities to achieve economies of scale. Formal annexation to a neighboring city will also be reviewed where relevant.
5. The desires and preferences of the residents of the affected "island" community will be a guiding factor in developing recommendations. As appropriate, residents will be provided with service comparison and related information regarding the potential annexation to a neighboring city.

D. Sphere of Influence Policies

1. The County Board of Supervisors supports the intent of Government Code Section 56425, *et seq.*, and will work with LAFCO and all of the cities of the County to review and update city spheres of influence according to its provisions which provide a process for negotiating agreements between the County and each city on sphere updates.
2. The County will include the above-stated policies as a component of the negotiating process for spheres of influence and may oppose any sphere of influence proposal that is inconsistent with those policies.

RESPONSIBLE DEPARTMENT

Chief Executive Office

DATE ISSUED/SUNSET DATE

Issue Date: May 13, 2003

Sunset Date: 5/10/2011

Revised 8/20/07:mjs